

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NOS. 98-075-C & 98-076-C - ORDER NO. 98-445

JUNE 15, 1998

IN RE: Docket No. 98-075-C – Application of)	ORDER APPROVING
Knology Holdings, Inc. DBA Knology of)	CERTIFICATE TO PROVIDE
Charleston, Inc. for a Certificate of Public)	LOCAL AND LONG
Convenience & Necessity to Operate as a)	DISTANCE
Reseller of Interexchange)	TELECOMMUNICATIONS
Telecommunications Services within the State)	SERVICES
of South Carolina.)	
)	
AND)	
)	
)	
Docket No. 98-076-C – Application of)	
Knology Holdings, Inc. DBA Knology of)	
Charleston, Inc. for a Certificate of Public)	
Convenience and Necessity to Provide Local)	
Exchange Services within the State of South)	
Carolina.)	

This matter comes before the Public Service Commission of South Carolina (“the Commission”) by way of Applications filed by Knology Holdings, Inc. DBA Knology of Charleston, Inc. (“Knology” or “the Company”) in which Knology requested that the Commission grant a Certificate of Public Convenience and Necessity to allow the Company to provide intrastate interexchange, and local exchange telecommunications services within the State of South Carolina. The Applications were filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 1997), and the Regulations of the Commission.

By letters, the Commission's Executive Director instructed Knology to publish, one time, prepared Notices of Filing in newspapers of general circulation in the areas affected by the Application. The purpose of the Notices of Filing was to inform interested parties of the manner and time in which to file the appropriate pleadings for participation in the proceedings. Knology complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. Petitions to Intervene were received from the Consumer Advocate for the State of South (the "Consumer Advocate") in Docket No. 98-075-C and from the South Carolina Telephone Coalition ("SCTC") in Docket No. 98-076-C. The two Dockets were combined for hearing purposes.

A hearing was convened on June 3, 1998, at 10:30 a.m. in the Commission's Hearing Room. The Honorable Guy Butler, Chairman, presided. Knology was represented by Russell B. Shetterly, Esquire. The Commission Staff ("Staff") was represented by Florence P. Belser, Staff Counsel. Neither the Consumer Advocate, nor SCTC appeared at the hearing.

At the hearing on this matter, Knology presented Felix L. Boccucci, Jr. to testify in support of the Application. Mr. Boccucci is the Vice-President of Knology. The purpose of Mr. Boccucci's testimony was to discuss the Applications and the qualifications of Knology to provide the services for which Knology seeks authority.

DISCUSSION

With respect to local exchange service, the record reveals that Knology seeks authority to provide facilities-based local exchange services in areas served by BellSouth

Telecommunications, Inc. (BellSouth) and GTE South, Inc. (GTE). S.C. Code Ann. §58-9-280 (Supp. 1997) provides that “the [C]ommission may grant a certificate to operate as a telephone utility ... to applicants proposing to furnish local telephone service in the service territory of an incumbent LEC.”

After full consideration of the applicable law, Knology’s Application, and the evidence presented at the hearing, the Commission finds and concludes that Knology’s request for a Certificate to provide local telephone service in the form of facilities-based local exchange should be granted. The Commission’s determination is based on the following criteria as provided in S.C. Code Ann. §58-9-280 (Supp. 1997) and the evidence presented which relates to that criteria:

(1) The Commission finds that Knology possesses the technical, financial, and managerial resources sufficient to provide the services requested. S.C. Code Ann. §58-9-280(B)(1) (Supp. 1997). To demonstrate Knology’s managerial and technical qualifications, witness Boccucci testified that Knology has more than sufficient technical and managerial resources available with which to provide telecommunications services in South Carolina. Mr. Boccucci further stated that Knology’s management has vast experience in the telecommunications industry and is well qualified to direct the efficient provision of quality services.

Regarding Knology’s financial resources, the record reveals that Knology is a corporation organized and existing under the laws of the State of Delaware, but certificated in South Carolina to do business. Mr. Boccucci stated that Knology has ample financial resources available to operate as a telecommunications provider. Further,

Mr. Boccucci offered that Knology's investors are committed to maintaining adequate capital to provide the proposed telecommunications services in South Carolina.

No party offered any evidence in opposition to Mr. Boccucci's testimony. Based on the undisputed testimony of Boccucci, the Commission finds that Knology possesses the technical, financial, and managerial resources sufficient to provide the services requested.

(2) The Commission finds that Knology will provide services that will meet the service standards of the Commission. S.C. Code Ann. §58-9-280(B)(2) (Supp. 1997). Mr. Boccucci indicated that Knology intends to offer a full range of telecommunications services, including various resold and facilities-based interexchange, and local exchange telecommunications services. Mr. Boccucci specifically stated that Knology intends to provide services whose quality meets or exceeds all standards set by the Commission. No party offered any evidence to dispute Mr. Boccucci's testimony. Based on the undisputed testimony from Mr. Boccucci, the Commission believes, and so finds, that Knology will provide telecommunications services which will meet the service standards of the Commission.

(3) The Commission finds that Knology's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. §58-9-280(B)(3) (Supp. 1997). Mr. Boccucci stated that authorizing Knology to provide service in South Carolina would not adversely impact affordable local exchange service and offered that certification of Knology should increase the availability of affordable local exchange service. No party offered any evidence that the provision of local

exchange service by Knology would adversely affect local rates. Therefore, based on the undisputed evidence of record, the Commission finds that provision of local exchange services by Knology will not adversely impact affordable local exchange service.

(4) The Commission finds that Knology will support universally available telephone service at affordable rates. S.C. Code Ann. §58-9-280(B)(4) (Supp. 1997). Mr. Boccucci testified that Knology intends to abide by all universal service requirements. No party disputed Mr. Boccucci's testimony. Based on the undisputed evidence of record, the Commission finds that Knology will participate in support of universally available telephone service at affordable rates.

(5) The Commission finds that the provision of local exchange service by Knology "does not otherwise adversely impact the public interest." S.C. Code Ann. §58-9-280(B)(5) (Supp. 1997). Mr. Boccucci offered that approval of Knology's application will benefit the public interest by providing innovative telecommunications services, increased customer choice, more efficient use of existing communications resources, and increased diversity in the supply of communications services. Mr. Boccucci further offered that the entry of a new telecommunications provider should also increase competitive pressures that should foster lower prices and higher quality services. Mr. Boccucci's testimony was undisputed as no party offered any evidence that approval of Knology's Application would adversely impact the public interest. Therefore, the Commission finds that approval of Knology's Application for a Certificate to provide local exchange service "does not otherwise adversely impact the public interest." S.C. Code Ann. §58-9-280(B)(5) (Supp. 1997).

In addition to requesting authority to provide local exchange service, Knology requests authority to provide intrastate interexchange telecommunications services. As stated above, the record reveals Knology's financial, technical, and managerial abilities to provide telecommunications services in South Carolina. The record further shows Knology's services, operations, and marketing procedures. Upon full consideration of Knology's Application and the evidence presented at the hearing, the Commission finds that Knology has the experience, capability, and financial resources to provide resold and facilities-based intrastate interexchange telecommunications services in South Carolina, and further the Commission finds and concludes that Knology's request for a Certificate to provide resold and facilities-based intrastate interexchange telecommunications services should be granted.

Therefore, based on the findings above, the Commission finds and concludes that the Certificate sought by Knology should be granted.

IT IS THEREFORE ORDERED THAT:

1. Knology is hereby granted a Certificate of Public Convenience and Necessity, and the accompanying authority, (1) to provide facilities-based local exchange telecommunications services throughout South Carolina in BellSouth and GTE service areas and (2) to provide resold and facilities-based intrastate interexchange telecommunications services within the State of South Carolina. Knology is hereby authorized to provide intrastate facilities-based local exchange telecommunications services in South Carolina in BellSouth and GTE service areas, and Knology is hereby authorized to provide resold and facilities-based intrastate interexchange services,

including interLATA services in South Carolina and to originate and terminate toll traffic within the same LATA, as set forth herein, through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. With regard to Knology's local service offerings, Knology shall file, prior to offering local exchange services in South Carolina, a final tariff of its service offerings. The final tariff shall include the modifications and changes to the proposed tariff to which Knology agreed with the Commission Staff.

3. The Commission adopts a rate design for Knology for its intrastate interexchange services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

4. Knology shall not adjust its rates for intrastate interexchange services below the approved maximum level without notice to the Commission and to the public. Knology shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE

Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 1996).

5. With regard to its intrastate interexchange services, Knology shall file its revised maximum tariff and an accompanying price list within thirty (30) days from the date of receipt of this Order. The revised tariff shall be consistent with the findings of this Order, shall include all modifications suggested by Staff and the Consumer Advocate and agreed to by the Company, and shall be consistent with the Commission's Rules and Regulations.

6. With regard to its intrastate interexchange services, Knology is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

7. With regard to the Company's interexchange service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

8. Knology shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Knology changes underlying carriers, it shall notify the Commission in writing.

9. With regard to the origination and termination of toll calls within the same LATA, Knology shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993).

10. Knology shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.

11. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. Knology shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The proper form for filing the regulatory contact information is indicated on Attachment B. Further, the Company shall promptly notify the Commission in writing if the representatives are replaced, and the Company is directed to comply with the Commission regulations unless waived by the Commission.

12. Knology shall conduct its business and operations in accordance with Commission decisions and Orders, both past and future, including, but not limited to, any

and all Commission decisions which may be rendered in Docket No. 96-018-C regarding local competition. Further, Knology shall conduct its business and operations in accordance with all applicable statutes and Commission Rules and Regulations, unless specifically waived by the Commission.

13. As a condition of offering debit card services, the Commission requires the Company to post with the Commission a bond in the form of a Certificate of Deposit worth \$5,000 drawn in the name of the Public Service Commission of South Carolina or a surety bond in the amount of \$5,000 which is payable to the Commission. The Certificate of Deposit shall be drawn on federal or state chartered banks or savings and loan associations which maintain an office in this state and whose accounts are insured by either the FDIC or the Federal Savings and Loan Insurance Corporation. A surety bond shall be issued by a duly licensed bonding or insurance company authorized to do business in South Carolina. This condition may be reviewed in one year.

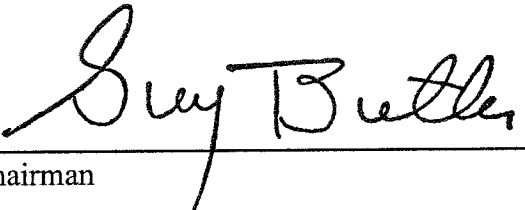
14. If the Company sells its debit cards to retail establishments for resale of the debit card, and the retailer of the debit cards deviates from the suggested retail price as filed in the tariff, or as approved by the Commission in a special promotion, then the Company will withdraw its cards from that retail outlet. The Commission strongly suggests that the Company enter into written agreements with its South Carolina retail outlets regarding this policy of abiding by suggested retail pricing prior to the outlet marketing the card.

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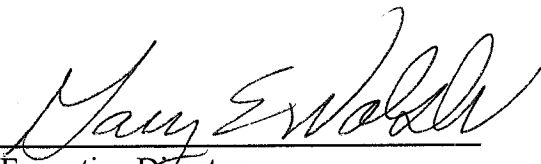
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15. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy
Executive Director

(SEAL)

**ANNUAL INFORMATION ON SOUTH CAROLINA OF
FOR INTEREXCHANGE COMPANIES AND AOS'S**

COMPANY NAME

FEI NO.

ADDRESS

CITY, STATE, ZIP CODE

PHONE NUMBER

- (1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS* FOR
12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.
- * THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION,
MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION WORK IN
PROGRESS, ACCUMULATED DEFERRED INCOME TAX, CONTRIBUTIONS IN AID OF
CONSTRUCTION AND CUSTOMER DEPOSITS.
- (4) PARENT'S CAPITAL STRUCTURE* AT DECEMBER 31 OR FISCAL YEAR ENDING
_____.
- * THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT PORTION
PAYABLE), PREFERRED STOCK AND COMMON EQUITY.
- (5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND
EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE AMOUNT
OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS WELL AS
METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT (SEE #3
ABOVE).

SIGNATURE

NAME (PLEASE TYPE OF PRINT)

TITLE

DOCKET NOS. 98-075-C & 98-076-C - ORDER NO. 98-445
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ATTACHMENT B

**INFORMATION OF THE AUTHORIZED UTILITY
REPRESENTATIVES FOR INTEREXCHANGE, LOCAL
AND AOS COMPANIES**

PURSUANT TO SOUTH CAROLINA PUBLIC SERVICE COMMISSION
REGULATION 103-612.2.4(b), each utility shall file and maintain with the Commission
the name, title, address, and telephone number of the persons who should be contacted in
connection with Customer Relations/Complaints.

Company Name/DBA Name

Business Address

City, State, Zip Code

Authorized Utility Representative (Please Print or Type)

Telephone Number

Fax Number

E-Mail Address

This form was completed by Signature

If you have any questions, contact the Consumer Services Department at 803-737-5230